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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re the Application of: Group Art Unit: J. Pwu

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Serial No.: 09/508,088

Filed: March 15, 2000

For: FINANCIAL SERVICES SYSTEM FOR
REDUCING RISKS IN INVESTMENTS

RESPONSE

Honorable Commissioner for Patents
PO Box 1450
Alexandria, VA 22313-1450

Sir:

The following remarks are submitted in response to the Office Action mailed May 23, 2003.

Claims 14-30 have been rejected under 35 USC 102(b) over US Patent No. 6,321,205 to Eder.

Eder discloses a system and method for measuring performance of elements of a business enterprise and for valuing the elements on a specified valuation date. In contrast, the claimed invention is based on a method for financial service in which a customer is guided to determine an appropriate amount for investment in relation to an existing asset, without unnecessary risk to that asset should the investment prove unsuccessful.

The Eder system relates to a method of and system for business valuation, more particularly, to an automated system that determines the relative contributions of different elements of value to the total business cash flow and

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valuation. This system is intended to be applied to the valuation of a high technology commercial enterprise where a significant portion of the business value is associated with intangible assets. The Eder system also gives the user the ability to track the changes in the elements of business value and total business value over time by comparing the current valuation to previously calculated valuations. The Eder system presents an accounting valuation report in order to facilitate its use as a tool for improving the value of an enterprise.

The Eder system thus obtains data from the user that relates to the *valuation of the business enterprise*. The Eder system does not receive data from an investor that relates to an investment selection, and in particular, the market value of an asset and a preferred term of investment, as claimed in claim 14.

In the Eder system, processing is completed by the software block 221 where the software in the block prompts the user to define the standard elements of value for each enterprise, to indicate if there will be sub-elements for the element and to identify the location of the data that will be used to quantify the period to period change for each element of value using predefined composite variables (0087).

The Eder system is engaged with the period to period change for each element of business value or valuing said elements on a specified valuation date. The Eder system does not describe or suggest receiving data that relates to an investor's preferred term of the investment as claimed in claim 14.

The Eder system relates to the market value of the asset for a specified valuation date. The invention as claimed in claim 14 receives data from the investor relating to the

market value of the asset which is the preferred term of the investment rather than on a specified valuation date.

Eder further describes obtaining data to define the standard elements for each enterprise, but does not describe or suggest receiving data from the investor relating to market value of the asset and to the preferred term of the investment.

The invention as claimed in claim 14 recites receiving data from the investor relating to potential return from the asset over the preferred term.

In Eder, the software in block 222 retrieves the variables required for calculating the composite variable for each element of value for each period and then stores the resulting information in the composite variable data table 168 in the application database 50 by item (0091).

The Eder patent specification describes retrieving the variables required for calculating the composite variable for each element of value for each period. It does not describe or suggest receiving data from the investor relating to the potential return from the asset over the preferred term of investment, as recited in claim 14.

The Eder specification discloses an arrangement in which the user 20 is prompted to identify the sources of the data that will be used in computing the value of the predefined composite variables for the standard elements of values. Composite variables are numbers that are created by mathematically or logically combining transaction data, transaction ratios, and/or transaction trends in any combination (0088).

The Eder patent specification describes using predefined composite variables for the standard elements of value in an accounting format. It does not describe or suggest receiving

data from the investor relating to potential return from the asset over the preferred term of the investment as claimed in claim 14.

The invention recited in claim 14 calculates a discount value for the asset from the potential return.

In the Eder specification, after the calculation is completed, processing advances to the software block 229, which compares the calculated value to the value previously specified by the user 20 in the systems setting table 140 (0101). It does not describe or suggest calculating a discount value of the asset from the potential return for the preferred term of investment, as claimed in claim 14.

The claimed invention calculates market values for a range of potential investments using the discount value of the asset in the preferred term of the investment.

The Eder patent specification describes software in block 207 that saves the new or updated revenue component definitions to the revenue component definition table 150, expense sub-component definitions to the expenses component definition table 151 and capital sub-component definitions to the capital component definition table 152. The production equipment and other asset definitions are also used to populate the physical asset ID table 145 and the asset liquidation price table 146 with the names of all assets used by all enterprises. The system of business valuation described in Eder uses definitions of components and sub-components for accounting valuations. It does not describe or suggest calculating market values for a range of potential investments.

The Eder system uses discount cash flow for business valuation. It does not describe or suggest using the discount value of the asset to calculate an appropriate amount for

investment.

The invention as claimed presents the investor with a range of market values for the range of investments. In Eder, the software in block 410 checks the capital component definition table 152 in the application database 50 to determine if there are "current" valuations for all capital components. If the user 20 has previously stored information in the system settings table 140 specifying a "simplified" analysis, then the capital component value for the enterprise will be checked. If there are current valuations for all capital components, then the processing advances to a software block 414 where the enterprise current operation value is calculated (0126).

The average ratio of market value to calculated business value and the standard deviation of the ratio are then calculated by Eder using standard regression analysis methods and stored in the equity forecast table 148 in the application database (0175). If the date of the current valuation is more than 60 days after the current system date, then the software in block 778 will calculate a range of equity prices on the valuation date by combining the results of previous calculations of the relationship between equity value and the calculated value with the forecast of future value that was just completed. The software will calculate the future equity value range using the average ratio of total business value to total market value.

The Eder patent specification describes a system that uses accounting ratios and equity prices for business valuation that are updated periodically. It does not describe or suggest presenting the investor with a range of market values for the range of investments to be selected by the investor.

In the claimed invention, the investor receives an indication of an investment selected from the range of investments. In Eder, various data windows that are used on the user interface portion of the application software 900 are illustrated in Figure 4. The data windows are used by the present invention for receiving information from and transmitting information to the user 20 during system processing. As will be discussed, data windows utilized by the claimed invention include system settings 901, account structure and data dictionary 902, enterprise definition 903, component definition 904, etc.

In Eder, the software in block 777 transfers processing to a software block 778 if the user 20 has chosen to have the relationship between market value and calculated business value examined. The software in block 778 compares the market value of the business to the calculated value by completing the formula 12 for each complete valuation stored in the reports table 172 (0048).

The equity report valuation described in Eder uses data that compares the market value of the business to the calculated value. It does not describe or suggest receiving from the investor an indication of an investment selected from the range of investments.

Based on the above discussion, Applicant submits that it is clear that the cited reference does not disclose or suggest the invention as presently claimed. Withdrawal of this rejection is requested.

In view of the foregoing amendments and remarks, Applicant submits that the present application is now in condition for allowance. An early allowance of the application with amended claims is earnestly solicited.

Respectfully submitted,



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